

**MACARTHUR MINERALS LIMITED**  
**ACN 103 011 436**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2007**

**(Unaudited – Prepared by Management)**

**All amounts are in Canadian dollars unless otherwise stated**

**MACARTHUR MINERALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited - prepared by Management)  
AS AT DECEMBER 31, 2007 AND MARCH 31, 2007

	December 31, 2007	March 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 2,015,384	\$ 617,003
Receivables	101,500	61,351
Prepayment and deposits	26,853	18,068
	<u>2,143,737</u>	<u>696,422</u>
Total current assets		
Plant and equipment (Note 3)	41,415	28,393
Mineral properties (Note 4)	3,629,955	3,183,018
	<u>3,671,370</u>	<u>3,211,411</u>
Total non-current assets		
<b>Total assets</b>	<b>\$ 5,815,107</b>	<b>\$ 3,907,833</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 111,894	\$ 117,661
Due to related parties (Note 6)	11,654	194,082
	<u>123,548</u>	<u>311,743</u>
<b>Total current liabilities</b>	<b>123,548</b>	<b>311,743</b>
<b>Shareholders' equity</b>		
Capital stock (Note 5)	19,315,638	17,681,590
Subscriptions received (Note 5)	1,400,000	-
Contributed surplus (Note 5)	617,759	678,254
Foreign currency translation account	(12,916)	314,230
Deficit	(15,628,922)	(15,077,984)
	<u>5,691,559</u>	<u>3,596,090</u>
Total shareholders' equity		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,815,107</b>	<b>\$ 3,907,833</b>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 7)

**On behalf of the Board:**

<u>"James Canning-Ure"</u>	Director	<u>"David Barwick"</u>	Director
James Canning-Ure		David Barwick	

The accompanying notes are an integral part of these consolidated financial statements.

**MACARTHUR MINERALS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
(Unaudited - prepared by Management)  
**THIRD QUARTER ENDED DECEMBER 31, 2007**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2007	2006	2007	2006
<b>Administrative Expenses</b>				
Filing and transfer agent fees	\$ 21,389	\$ 2,720	\$ 45,979	\$ 24,666
Investor relations & printing	469	31,320	67,641	53,510
Office and general	20,990	22,248	41,439	32,000
Professional Fees	70,819	47,862	190,044	118,338
Rent	20,530	-	86,828	-
Salaries and management fees	23,662	35,895	85,263	96,368
Stock-based compensation	64,553	409,106	64,553	497,629
Travel and accommodation	3,961	20,378	53,140	58,002
<b>Total Administrative Expenses</b>	<b>226,373</b>	<b>569,529</b>	<b>634,887</b>	<b>880,513</b>
<b>Loss before other items</b>	<b>(226,373)</b>	<b>(569,529)</b>	<b>(634,887)</b>	<b>(880,513)</b>
Other items:				
Depreciation	(2,875)	-	(7,802)	
Interest income	7,933	12,800	27,724	20,587
Rent received	21,673	-	67,291	
Foreign Exchange Gain/(Loss)	34	(2,730)	(3,264)	(2,730)
<b>Net loss for the period</b>	<b>(199,608)</b>	<b>(559,459)</b>	<b>(550,938)</b>	<b>(862,656)</b>
Deficit, beginning of the period	(15,429,314)	(14,377,165)	(15,077,984)	(14,073,968)
Deficit, end of the period	(15,628,922)	\$ (14,936,624)	(15,628,922)	\$ (14,936,624)
Basic and diluted loss per common share	(0.01)	(0.04)	(0.04)	(0.07)
Weighted average number of common shares outstanding	16,168,433	13,508,572	15,728,468	12,177,760

The accompanying notes are an integral part of these consolidated financial statements.

**MACARTHUR MINERALS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited - prepared by Management)  
THIRD QUARTER ENDED DECEMBER 31, 2007

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net loss for the period	(199,608)	(559,459)	(550,938)	(862,656)
Deduct items not involving cash:				
Foreign currency translation gains	-	58,834	-	50,085
Depreciation	2,875	-	7,802	-
Stock-based compensation	64,553	409,106	64,553	497,629
	<u>(132,180)</u>	<u>(91,519)</u>	<u>(478,583)</u>	<u>(314,942)</u>
<i>Changes in non-cash working capital items related to operations</i>				
Receivables	(45,076)	43,256	(46,512)	(20,944)
Prepayments and deposits	(10,551)	-	(10,551)	-
Accounts payable and accrued liabilities	(24,610)	(124,441)	(30,235)	26,921
<b>Cash flows from Operating Activities</b>	<b><u>(212,417)</u></b>	<b><u>(172,704)</u></b>	<b><u>(565,881)</u></b>	<b><u>(308,965)</u></b>
<b>Investing Activities</b>				
Acquisition of property, plant & equipment	-	-	(23,821)	-
Deferred acquisition costs	-	-	(92,031)	-
Mineral exploration expenditures	(389,161)	(121,758)	(615,426)	(610,420)
<b>Cash flows from Investing Activities</b>	<b><u>(389,161)</u></b>	<b><u>(121,758)</u></b>	<b><u>(731,278)</u></b>	<b><u>(610,420)</u></b>
<b>Financing Activities</b>				
Issuance of Common Shares	165,600	145,125	1,607,000	649,500
Share issue costs	-	-	(98,000)	-
Shares subscribed	1,400,000	-	1,400,000	-
Due to related parties	(46,642)	114,595	(139,371)	1,081,141
<b>Cash flows from Financing Activities</b>	<b><u>1,518,958</u></b>	<b><u>944,690</u></b>	<b><u>2,769,629</u></b>	<b><u>1,730,641</u></b>
Increase in cash during the period	917,380	(34,742)	1,472,470	811,256
Foreign currency gain on opening cash balance	(24,177)	35,515	(74,089)	36,277
Cash and term deposits, beginning of the period	<u>1,122,181</u>	<u>1,179,551</u>	<u>617,003</u>	<u>332,791</u>
Cash and term deposits, end of the period	<u>2,015,384</u>	<u>1,180,324</u>	<u>2,015,384</u>	<u>\$1,180,324</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
**THIRD QUARTER ENDED DECEMBER 31, 2007**

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Macarthur Minerals Limited (the “Company”) is in the business of exploration and development of resource properties.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	December 31, 2007	March 31, 2007
Deficit	\$ (15,628,922)	\$ (15,077,984)
Working capital	2,020,189	384,679

**2. BASIS OF PRESENTATION**

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented

**3. PLANT AND EQUIPMENT**

	December 31, 2007	March 31, 2007
<b>Plant and Equipment</b>		
Plant and equipment	\$ 18,975	\$ 20,581
Accumulated depreciation	(4,010)	(1,213)
	<u>14,965</u>	<u>19,368</u>
Office equipment	31,098	9,025
Accumulated depreciation	(4,648)	-
	<u>26,450</u>	<u>9,025</u>
	<u>\$ 41,415</u>	<u>\$ 28,393</u>

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
**THIRD QUARTER ENDED DECEMBER 31, 2007**

**4. MINERAL PROPERTIES**

In January 2006, the Company acquired 100% of the outstanding and issued capital stock of Internickel Australia Pty Ltd (“Internickel”). Internickel’s entire assets are a claim for a 100% interest in the Lake Giles Project located in Western Australia.

International Gold Mining Ltd, formerly InterCOAL Ltd. (“International Gold”) held the right to acquire 20% of the outstanding and issued capital stock of Internickel. However, on the 17<sup>th</sup> July 2006, the Company acquired this option from International Gold by issuing 1,000,000 common shares from treasury at a deemed value CDN\$ 430,000.

In October 2006 the Company entered into an agreement with an adjoining landholder to acquire four additional tenements for \$100,000 progressively as they were granted.

The following is a summary of acquisition and deferred exploration costs incurred:

	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
<b>Balance, as at March 31, 2007</b>	<b>1,801,724</b>	<b>1,381,294</b>	<b>3,183,018</b>
Incurring during the first quarter	1,982	145,326	147,308
<b>Balance, as at June 30, 2007</b>	<b>1,803,706</b>	<b>1,526,620</b>	<b>3,330,326</b>
Incurring during the second quarter	88,210	77,931	166,141
Foreign Currency variance on September 30, 2007 balances	102,421	(281,757)	(179,336)
<b>Balance as at September 30, 2007</b>	<b>1,994,337</b>	<b>1,322,794</b>	<b>3,317,131</b>
Foreign Currency variance on December 31 balances	(47,706)	(31,640)	(79,346)
Incurring during the third quarter	-	392,170	392,170
<b>Balance as at December 31, 2007</b>	<b>1,946,631</b>	<b>1,683,324</b>	<b>3,629,955</b>

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
**THIRD QUARTER ENDED DECEMBER 31, 2007**

**5. CAPITAL STOCK**

	Number of Shares	Capital Stock \$	Contributed Surplus \$
Authorized			
Unlimited common voting shares, without par value			
<b>Balance as at March 31, 2007</b>	<b>14,888,650</b>	<b>17,681,590</b>	<b>678,254</b>
Share issue (i)	1,000,000	1,400,000	-
Share issue costs (ii)		(98,000)	-
<b>Balance as at June 30, 2007</b>	<b>15,888,650</b>	<b>18,983,590</b>	<b>678,254</b>
Exercise of options (iii)	90,000	66,409	(25,009)
<b>Balance as at September 30, 2007</b>	<b>15,978,650</b>	<b>19,049,999</b>	<b>653,245</b>
Granting of Options to directors (iv)	-	-	16,236
Granting of Options to directors (v)	-	-	40,332
Granting of Options to a staff member (vi)	-	-	7,985
Exercise of options (vii)	360,000	265,639	(100,039)
<b>Balance as at December 31, 2007</b>	<b>16,338,650</b>	<b>19,315,638</b>	<b>617,759</b>

During the period ended December 31, 2007, the Company completed:  
(All monetary amounts are in Canadian dollars).

- i) 1,000,000 shares issued to Pinetree Resource Partnership at \$1.40 per share on June 15, 2007.
- ii) \$98,000 placement fee on above share issue, paid to PowerOne Capital Markets Limited.
- iii) 90,000 options were exercised at \$0.46 by the estate of a former director on July 23, 2007.
- iv) 200,000 options were granted to directors on October 19, 2007.
- v) 300,000 options were granted to directors on November 26, 2007.
- vi) 75,000 options were granted to a staff member on December 4, 2007.
- vii) 360,000 stock options exercised at \$0.30 per share on October 18, 2007, and November 21, 2007.

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
**THIRD QUARTER ENDED DECEMBER 31, 2007**

**5. CAPITAL STOCK (Cont'd)**

**Stock options**

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years. Options granted to employees, directors and officers vest fully four months after the grant date. Options issued to consultants must vest in stages over 12 months with one quarter of the options vesting in any three month period. There were 200,000 stock options granted to directors during the period at an exercise price of \$1.00, 300,000 options granted to directors at an exercise price of \$1.20 and 75,000 options issued to a consultant at an exercise price of \$1.30.

On August 30, 2007, shareholders approved a reduction in the exercise price of 750,000 options granted in December 2006 from \$2.15 to \$1.60. This reduction was effected immediately.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Nine Months Ended December 31, 2007		Year Ended March 31, 2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,450,000	1.35 *	1,061,000	\$ 0.49
Granted	575,000	1.14	800,000	2.11
Exercised	(450,000)	0.46	(375,000)	0.30
Expired/cancelled	-	-	(36,000)	3.75
Outstanding, end of period	1,575,000	1.27	1,450,000	1.35
Options exercisable, end of period	650,000	\$ 1.34	650,000	\$ 0.43

\* Prior to reduction in exercise price of 750,000 options from \$2.15 to \$1.60 on August 30, 2007.

Stock options outstanding at December 31, 2007 are as follows:

Number of Options	Exercise Price	Expiry Date
	\$	
200,000	0.35	January 10, 2011
50,000	1.50	September 22, 2011
750,000	1.60	December 22, 2011
200,000	1.00	October 19, 2012
300,000	1.20	November 26, 2012
75,000	1.30	December 4, 2012

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
**THIRD QUARTER ENDED DECEMBER 31, 2007**

**5. CAPITAL STOCK (cont'd...)**

**Warrants**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Nine Months Ended December 31, 2007		Year Ended March 31, 2007	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-		950,000	\$ 0.30
Granted	500,000	\$ 2.00	-	-
Exercised	-	-	(950,000)	(0.30)
Expired	-	-	-	-
Outstanding, end of period	500,000	\$ 2.00	-	0.30
Warrants exercisable, end of period	500,000	\$ 2.00	-	\$ 0.30

**6. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$34,318 (2006: \$45,033) for geological services provided by International Gold Mining Ltd, an entity associated with a directors.
- b) Paid or accrued \$85,305 (2006: \$74,855) in fees to directors during the nine month period.
- c) At December 31, 2007, \$11,653 (2006: \$97,776) is owed to directors and a private Company controlled by a director for accrued management fees, geological services and expenses paid on behalf of the Company.
- d) At December 31, 2007, there is \$32,626 (2006: \$34,888) owing to a major shareholder.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
THIRD QUARTER ENDED DECEMBER 31, 2007

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**7. SUBSEQUENT EVENTS**

- a) On January 3, 2008, the Company issued 1,500,000 units at \$1.40 per unit, 1,000,000 units to First Apollo Capital Limited (an entity associated with Alan Phillips) and 500,000 units to Pinetree Capital Limited. Each unit comprises one common share and one common purchase warrant exercisable into one common share at \$2.00 per share and has a term of eighteen months from the date of issue.
- b) On January 15, 2008, the Company issued 500,000 units at \$1.40 per unit to Longview Capital Partners. These units were issued under the same terms and conditions as the units issued on January 3, 2008.
- c) On January 24, 2008 a three-tonne bulk iron ore sample from the Lake Giles project arrived in China for testing, in accordance with the agreement between the Company and LPD Holdings (Aust) Pty Ltd (LPD), which provides for LPD to acquire an interest in the project, as announced on November 21, 2007.
- d) On January 31, 2008, shareholders unanimously approved a proposal to sell up to 80% of wholly-owned subsidiary Internickel, as it outlined in the Notice of Meeting released in December 2007.
- e) On February 25, 2008 the LPD Holdings (Aust) Pty Ltd agreement was varied to extend the required date for Notification of its intention to Subscribe for the Initial Share Interest to April 18, 2008 with the balance of subscription Money to be paid by April 28, 2008.
- f) As at the date of this report, 35 holes have been drilled in the Stage 4 drilling program for a total of 4,563 meters.